

June 30, 2006

## **MINUTES**

### **Kansas Electric Transmission Authority**

April 18, 2006  
Kansas Corporation Commission  
First Floor Hearing Room  
1500 SW Arrowhead Road  
Topeka, KS 66604-4027

#### **Members Present**

Representative Carl Holmes Earnie Lehman Representative Annie Kuether Tim McKee Senator Jay Emler Les Evans

#### **Members Absent**

Senator Janis Lee

#### **Staff in Attendance**

Heather Klaassen, Legislative Research Department Intern

#### **Others in Attendance**

See Attached List

The meeting convened at 9:10 AM with a quorum present. Chairperson Holmes amended the agenda to include a discussion of topics to be addressed at future meetings and dates upon which to meet. Rep. Kuether moved to approve the agenda as amended (Emler). The motion passed. Earnie Lehman moved to approve the minutes from January 4, 2006 (Evans). The motion passed.

Chairperson Holmes directed the Board's attention to the KETA budget (Attachment 1). It was noted that the budget had not been approved yet, but travel expenses would be reimbursed. Susan Duffy, Kansas Corporation Commission (KCC), noted that an additional \$30,000 was requested, but KETA does not meet the criteria for a grant from the U.S. Department of Energy, and therefore another source of funding must be found. Chairperson Holmes noted that the \$30,000 was to cover bookkeeping expenses. Ms. Duffy stated that the KCC would be able to provide basic bookkeeping assistance without extra burden to existing KCC staff. Mr. Lehman expressed concern that basic staff assistance taking minutes, making meeting arrangements, and updating the web site may be more than the current

KCC staff can manage. Ms. Duffy agreed. Chairperson Holmes noted that the Director of the Legislative Research Department, Alan Conroy, volunteered to continue to provide Research support as necessary. The Chairperson also mentioned that he requested from the Agriculture and Natural Resources Budget Committee Chair an additional \$40,000 that has yet to go through the appropriations process. It was hoped that the Committee might receive the \$40,000 necessary to reach the \$73,000 budget expectations. Ms. Duffy stated that vouchers would be provided to non-legislative Board members today, but Legislators would need to fill out separate forms from Legislative Services.

The Chairperson noted that, with the help of Ms. Duffy and the support of the Legislative Research Department, the Board hopes to move forward with budget requests. Ms. Duffy noted that the earlier the Board decides meeting dates, the sooner she can reserve the hearing room at the KCC. The Chairperson stated that the next meeting would be in Kansas City in May. Ms. Duffy mentioned that the KCC has a room in Wichita in the Finney State Office if that should ever be needed.

The next item of discussion was the KETA website (Attachment 2). The Chairperson wanted the Board's approval before going forward with the website hosting contract with the Information Network of Kansas (INK). He stated that there may be one item that would require the assistance of Mary Galligan, Legislative Research Department. Tim McKee moved that the website hosting contract with INK be approved (Emler). The motion passed and Chairperson Holmes signed the agreement.

Next, the Chairperson drew the Board's attention to the Bylaws (Attachment 3). At 9:26 AM, the Board recessed to allow Senator Emler to retrieve his notes on possible typing errors in the Bylaws. At 9:31, the Chairperson called the meeting back to order. Senator Emler noted the typing errors he had identified. Tim McKee moved to approve the Bylaws as presented while allowing editorial corrections to be made as necessary (Emler). The motion passed.

The Chairperson then recognized Kelly Harrison, Vice President of Transmission Operations and Environmental Services with Westar. Carl Huslig, Vice President of Transmission Services with Aquila, and Tom Stuchlik, Executive Director of Transmission Operations, Westar, were present to answer questions.

Mr. Harrison discussed the status of current and proposed transmission projects in Kansas. He focused specifically on economic projects that have been proposed and are represented on the attached map (Attachment 4). Three particular projects have taken precedence: (1) a line from Wichita to Reno and from Reno to Summit, (2) a line from Wichita to Reno and from Reno to Lincoln, and (3) a line from Rose Hill to Sooner. The first line is estimated to cost approximately \$100 million, the second line is estimated to cost \$85 million, and the construction of the third line (as far as the state line) is estimated at \$45 million. Mr. Harrison discussed some of the concerns that have been raised recently regarding how the study was conducted, and explained a host of factors that inevitably will affect the outcome of a study. Transmission request studies, aggregate system impact studies, and general interconnection studies completed by Southwest Power Pool (SPP) can be reviewed on the SPP website

Board members raised a variety of questions. Mr. Harrison explained that studies attempt to focus on zones (which are defined by transmission owner). However, under an aggregate study, researchers focus on the zone as a whole (including all of the customers who may benefit). In response

to another question, Mr. Harrison stated that if there is a study constraint that would change the economics of a project, SPP would seek to modify its study methodology. He explained that SPP currently is attempting to come to a consensus over how economic studies are done. It was also noted that wind generators are looking for markets and want to be considered in the cost-benefit analyses.

Mr. Stuchlik explained that, after a potential project has been identified, a cost-benefit study must be done in order to ensure cost-recovery. After an interested party commits to the project, right-of-way must be purchased, the KCC must give permission for siting, and then construction may begin. The entire process may take four to five years.

Chairperson Holmes asked if anyone was looking out for the interests of the customer. Larry Holloway, KCC, stated that if utilities can lower the cost of generation, then savings flow back to the customer, and the customer benefits as well. The Chairperson also raised questions about the difference between an economic project and a reliability project, and how the cost of a project typically is distributed to consumers.

The Board recessed for a short break at 10:35 AM.

At 10:55, the Board reconvened.

The Chairperson recognized Carl Huslig, Vice President of Transmission Services with Aquila. He stated that Aquila initiated a number of project with the intent of having them built and in-service last year. However, particular problems have put them behind schedule. Mr. Huslig focused on a recent aggregate study that was done involving 81 requests. Of those requests, 44 were from Kansas companies. Mr. Huslig briefed the Board on a few of these projects. He concluded by stating that the first priority must be the line from Wichita to Reno. After Mr. Huslig's formal presentation, he responded to questions from the Board.

Tim McKee directed a question to Larry Holloway, KCC. Mr. McKee asked if the Commission ever considered an integrated resource plan (IRP). Mr. Holloway explained that, in 1992, all states were asked to consider an IRP. At this time the Commission looked into the possibility, but ultimately decided against it. Currently, each utility has its own generation supply plan, but Mr. Holloway explained that it is not an IRP. An IRP would take into account economic efficiency projects and demand side management. He also noted that regional and statewide IRPs can be very difficult to form. However, he stated that an aggregate study is a big leap forward. Not only does it look at the broader picture (rather than a case-by-case basis), the cost of the study also is distributed across more parties.

Chairperson Holmes asked the status of the Rose Hill-Sooner project. Mr. Stuchlik stated that it is up for consideration. SPP is prepared to move forward with further studies, but no one in Kansas has agreed to champion the project. Jay Caspary, Director of Engineering for the Southwest Power Pool, stated that someone in Oklahoma has expressed interest in the project.

Chairperson Holmes distributed information on the Southwest Power Pool Transmission Expansion Planning Summit in Kansas City, MO on May 18<sup>th</sup> ([Attachment 5](#)). The Chairperson asked Jay Caspary to provide a brief overview of the conference agenda. Mr. Caspary stated that this meeting would be a good way for KETA to get an overview of the transmission planning process. SPP will be

discussing their current process, criteria, models, and study results in order to identify any problems that may be present and reach more optimal solutions.

The Chairperson suggested that the Board attend this one-day conference in leu of a meeting. After the conference, the Board could meet for a brief half-hour wrap-up session. Each member would need to register individually using the SPP website. The Chairperson stated that he would like staff to attend, and the Board could car pool from Topeka.

The Board adjourned for lunch at 11:55 PM.

The Board reconvened at 1:31 PM.

The Chairperson recognized Earnie Lehman to introduce the Board's next speaker. Mr. Lehman introduced Marka Shaw, an economist with the Policy Analysis and Rulemaking Division of the Office of Energy Markets and Reliability from the Federal Energy Regulatory Commission (FERC). Ms. Shaw discussed the transmission provisions of the Energy Policy Act of 2005 ([Attachment 6](#)). She stated that the relevant sections of the Energy Policy Act can be found on the [FERC](#) website. She concluded by stating that her views do not necessarily represent the views of FERC. After the formal presentation, Ms. Shaw responded to questions from the Board.

Mr. Lehman was recognized to introduce Jay Caspary, Director of Engineering for the Southwest Power Pool and Chairperson of the SPP Economic Modeling & Methods Task Force (EMMTF). Mr. Caspary presented information regarding the economic benefits of transmission expansion ([Attachment 7](#)). In contrast to groups that look at needs within state borders, the Task Force tries to make evaluations based on the make-up of the overall grid. He noted that the final draft of the Transmission Network Economic Modeling & Methods report is posted on the SPP website.

Mr. Caspary answered questions posed by the Board. He explained that the process of preparing a study is very complicated and numerous questions must be answered: How do you define zone? How do you measure benefits? Are you addressing externalities? If you relieve congestion in one area, what problems surface elsewhere? What is the net effect? What assumptions have you made in the process? What model are you using for your base study? How do you plan to allocate the costs of the project? He explained that the answers to these questions will affect the outcomes of the study. He said it is safer to understate benefits than to overstate benefits due to modeling assumptions.

Chairperson Holmes asked if there was anything in the modeling that addressed customer benefits. He explained that energy costs in southwest Kansas are 64% higher than in Topeka because utilities recognize that they have a captive market. He stated that no one advocates for the high-cost consumer.

The Chairperson recognized Mr. Lehman to introduce the final speaker, Partha Malvadkar, an economist with the Policy Analysis and Rulemaking Division of the Office of Energy Markets and Reliability from the Federal Energy Regulatory Commission. His presentation addressed the cost-benefit analysis with respect to the customer. Mr. Malvadkar discussed three different kinds of upgrades: Reliability upgrades (minimum cost upgrades needed to serve load reliably, and maintain

current rights and accommodate new service requests), Economic upgrades (upgrades that lower the total cost of serving load; these upgrades benefit some entities but might harm others), and Proposed upgrades (identified by certain benefiting parties). He stated that there are different models for identifying transmission expansion. Recently, there has been contention between those who favor economic upgrades and those who favor reliability upgrades. He explained that this leads to contention over how the project should be funded. He noted that the way the upgrade is classified will determine how the project will be funded. Mr. Malvadkar suggested that, before any project is adopted, it is important to identify the beneficiaries. In conclusion, he stated that his views do not necessarily represent the views of FERC.

After the formal presentation, Mr. Lehman stated that the speakers had identified barriers to transmission construction. He stated that it is important for KETA to reach an agreement on what friction points need to be addressed and how the Board should address them.

The Board recessed at 3:06 PM.

The Board reconvened at 3:25 PM.

The Chairperson asked the Board to consider topics and dates for future meetings. The Chairperson noted that before lunch the Board agreed to pencil in a meeting on May 18<sup>th</sup> in Kansas City. The following ideas were presented:

- 1 Invite wind generators to discuss the problems they are confronting.
- 2 Request independent transmission companies (ITCs) to speak before the Board. (There are three in the United States.)
- 3 Ask members of the [Wyoming Infrastructure Authority](#) to present background on the Authority's organization and recent activities.
- 4 Invite traditional generators to discuss proposed base-load generation projects, and their perceived barriers.
- 5 Have utilities come in one at a time to talk about their experience with the aggregate study process and why they did or did not commit to building transmission capacity. They might discuss what they would like to see in a more thorough aggregate study process.
- 6 Include time for presentations by the transmission-dependent utilities and the municipal power buying groups such as Kansas Power Pool and KMEA.

The Board agreed that ideas 1 and 5 each would require a full-day meeting. However, the Board decided to lump the following into two meetings: ideas 2 and 3, and ideas 4 and 6.

The Board agreed to the following meeting dates:

- 10 AM on May 18<sup>th</sup> in Kansas City at the SPP Planning Summit; and
- June 30<sup>th</sup> at the KCC to discuss the current status of wind generation (this date is tentative).

The Board decided that future meeting dates would be determined at a later date. However, it was suggested that idea 5 (relating to a discussion of the aggregate study process) should be addressed at the September meeting when the next aggregate study is scheduled to be completed.

The Chairperson adjourned the meeting.

Respectfully submitted  
Tim McKee, Board Secretary

Approved by the Board  
June 30, 2006